

AIKEN TECHNICAL COLLEGE
REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

AIKEN TECHNICAL COLLEGE

TABLE OF CONTENTS

	<u>Page</u>
AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-11
FINANCIAL STATEMENTS	
Statement of net assets	12
Statement of revenues, expenses and changes in net assets	13
Statement of cash flows	14-15
Component unit – statement of financial position and statement of activities	16-17
Notes to financial statements	18-33

AIKEN TECHNICAL COLLEGE

AREA COMMISSION MEMBERS, OFFICERS, KEY ADMINISTRATIVE STAFF AND OTHER INFORMATION FOR THE YEAR ENDED JUNE 30, 2008

MEMBERS OF AREA COMMISSION

	<u>Term Expires</u>
Mr. Joe W. DeVore	04/15/12
Mr. Michael R. Rose, Vice-Chair	04/30/12
Mr. Joseph J. Buggy	04/15/09
Mr. Joe E. Lewis	01/31/11
Dr. Elizabeth Everitt	Ex-Officio
Mr. Carlos F. Garcia, Chairman	04/30/10
Ms. Patricia E. Guglieri	04/30/10
Ms. K. D. Justyn	08/01/10
Ms. Augustus T. Stephens, Jr., Secretary	01/31/11
Mr. Robert G. Sheridan	04/15/12
Mr. Timothy W. Simmons	Ex-Officio

OFFICERS OF AREA COMMISSION

Mr. Carlos F. Garcia, Chairman
Mr. Augustus T. Stephens, Jr., Secretary

KEY ADMINISTRATIVE STAFF

Dr. Susan A. Winsor, President
Mr. Dennis C. Rogers, Vice-President of Administrative Services
Dr. James A. Schmidt, Vice-President of Student Services
Dr. Gemma K. Frock, Associate Vice-President of Workforce and Business Development
Dr. Melissa D. Denardo, Vice-President of Academic Affairs

AREA SERVED BY COMMISSION

Aiken County

ENTITIES WHICH PROVIDE FINANCIAL SUPPORT

State Budget and Control Board
Aiken County, South Carolina
United States Department of Education
United States Department of Labor
United States Department of Energy
United States Environmental Protection Agency

INDEPENDENT AUDITOR'S REPORT

Aiken Technical College
Aiken, South Carolina

We have audited the accompanying financial statements of the business-type activities of Aiken Technical College (the "College"), a department of the State of South Carolina, as of and for the year ended June 30, 2008, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Aiken Technical College Foundation, Inc., a discretely presented component unit of Aiken Technical College. The Aiken Technical College Foundation, Inc.'s financial statements reflect 100% of the total assets, 100% of the net assets, and 100% of the total revenues of the discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Aiken Technical College Foundation, Inc., is based solely on the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the College are intended to present the financial position, and the changes in financial position and cash flows, of only that portion of the business-type activities of the State of South Carolina that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of the State of South Carolina as of June 30, 2008, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of Aiken Technical College, as of June 30, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. We have also issued our report dated September 30, 2008, on Aiken Technical College's State Lottery Tuition Assistance Program.

Management's discussion and analysis on pages 4 through 11 is not a required part of the financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Elliott Davis, LLC

Aiken, South Carolina
September 30, 2008

AIKEN TECHNICAL COLLEGE MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of Aiken Technical College offers readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2008. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

The financial statements follow Governmental Accounting Standards Board (GASB) Statements No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows and replaces the fund-group perspective previously required.

Financial Highlights

- The assets of Aiken Technical College exceeded its liabilities at June 30, 2008 by \$28,399,868. Of this amount, \$5,644,931 may be used to meet the College's ongoing obligations.
- The College's total net assets increased by \$701,901 or over 2.53%, while the Investment in Capital Assets, net of related debt, increased by \$2,486,827, reflecting a completed renovation of the Ashley J. Little building, a minor renovation to the Student Center, and the payout of debt ahead of schedule, in the amount of \$1,601,723, related to the Student Center building.
- The College received capital funding in the amount of \$321,585, entirely from State resources. Last year the College received \$942,967 in total capital funding, also from State resources. The sum of these funds aided ongoing efforts to renovate buildings and update equipment.
- Purchases of capital (over \$5,000 a unit) equipment arose in connection with normal replacements in the amount of \$310,306. Purchases of non-capital equipment totaled \$472,276.
- The College experienced an operating loss of \$6,942,641 as reported in the Statement of Revenues, Expenses, and Changes in Net Assets. However, this operating loss was offset by State appropriations of \$5,610,875, local appropriations of \$1,627,300, and other nonoperating revenues.

Overview of the Financial Statements

The College is engaged only in Business-Type Activities (BTA) that are financed in part by fees charged to students for educational services. Accordingly, its activities are reported using the following three financial statements required for proprietary funds: Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and classifies assets and liabilities into current and noncurrent. The difference between total assets and total liabilities is net assets, which is displayed in three broad categories: invested in capital assets (net of related debt), restricted, and unrestricted. Unrestricted net assets is one indicator of the current financial condition of the College, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Revenues, Expenses, and Changes in Net Assets is basically a statement of net income that replaces the fund perspective with the entity-wide perspective. Operating and nonoperating categories segment the statement, while expenses are reported by object type. A separate footnote displays expenses reported by function, with a cross reference to the object type. The Statement of Cash Flows aids readers in identifying the sources and uses of cash by categorizing activities as operating, noncapital financing, and capital and related financing. This statement clarifies the College's dependence on state and county appropriations by separating them from operating cash flows.

Financial Analysis

Net assets increased over FY 2007 by \$701,901. This increase was less than FY 2007's increase over FY 2006 of \$1,102,521. A smaller increase resulted from reduced state capital appropriations, increased supplies and services (including increased non-capital equipment purchases), salaries and benefits, and depreciation, offset by reduced utility expenditures and increased instructional fees. Instructional fees were increased by \$54 for a full time student residing in Aiken County, resulting in a percentage increase of 3.69%. Student enrollment increased by 321 full time equivalent students or 8.61 %.

Net assets may serve over time as a useful indicator of an entity's financial position. The College's total assets exceeded total liabilities by \$28,399,868 at the close of the current fiscal year.

By far the largest portion of the College's net assets (78.49%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The College acquires these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

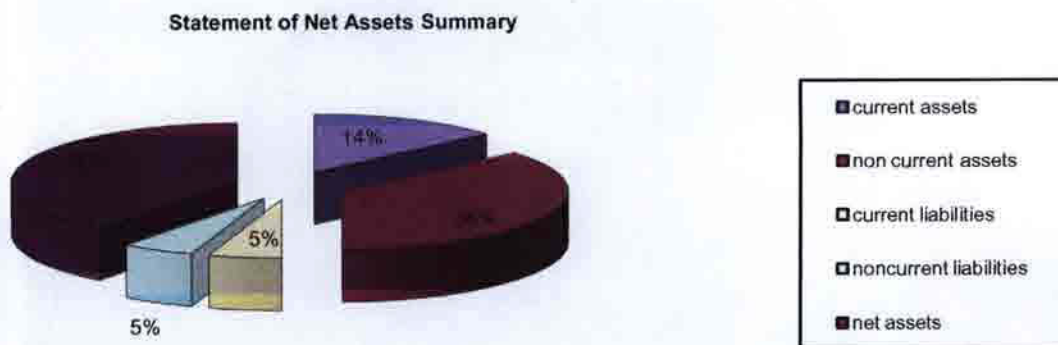
Less than 1.63 % of the College's net assets represent resources that are subject to external restrictions on how they may be used. *Unrestricted net assets* of \$5,644,931 (19.88% of total net assets) may be used to meet the College's ongoing obligations. The State Board for Technical Colleges requires the College to maintain one month's operating funds for liquidity. The current unrestricted net assets listed above represents in excess of three months normal operating funds.

Total operating expenses increased during the year by \$1,521,312 or 7.89%. The increase reflects additional investments in academic quality, primarily through the academic and institutional support functions. Overall salary and fringe benefits, the College's largest single operating expenditure increased by \$766,825, or 6.54 %, while expenses related to supplies and other services increased by \$698,578 or 14.16%. This planned increase consisted substantially of non-capital equipment purchases to support instructional areas, including new and replacement computers.

Depreciation increased by \$109,467 resulting from newly capitalized renovations and additional equipment purchases.

Charts and graphs follow that pictorially present specific areas of the College's financial condition on June 30, 2008 and comparisons with the prior year.

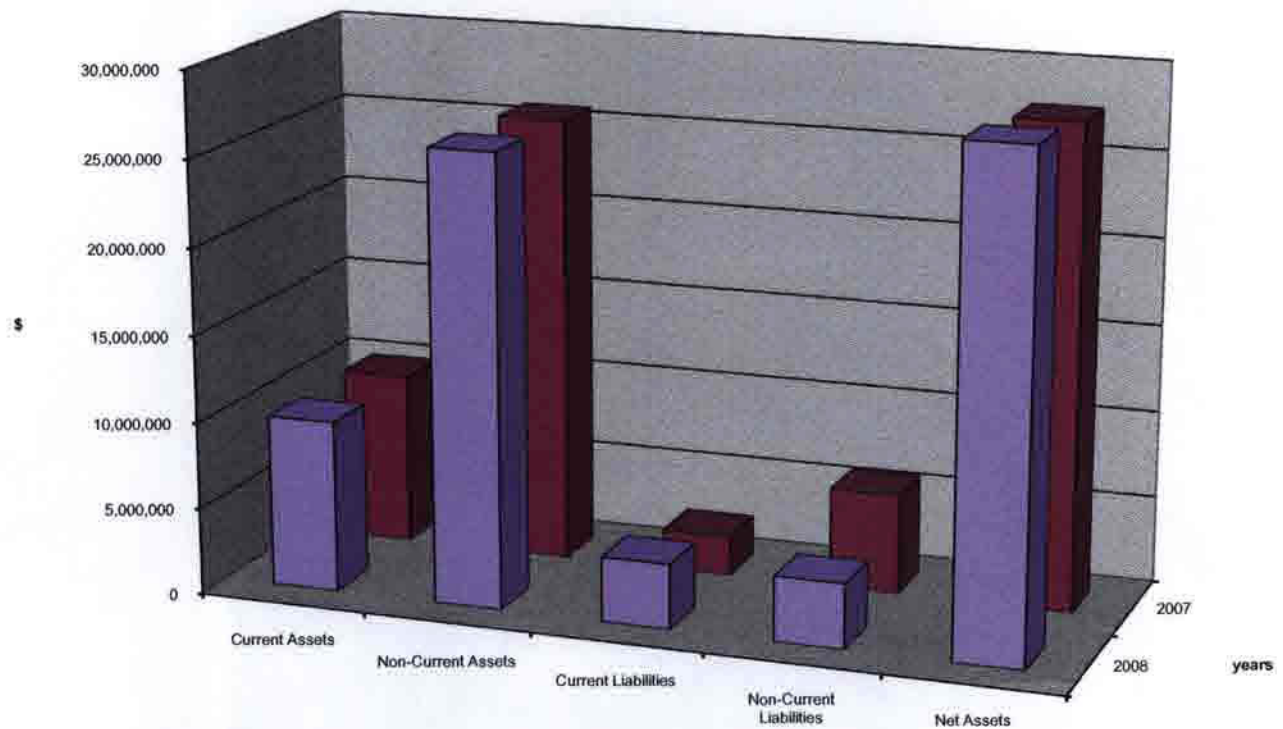
Statement of Net Assets charts



Note: Assets substantially exceed liabilities denoting a sound financial condition for the College.

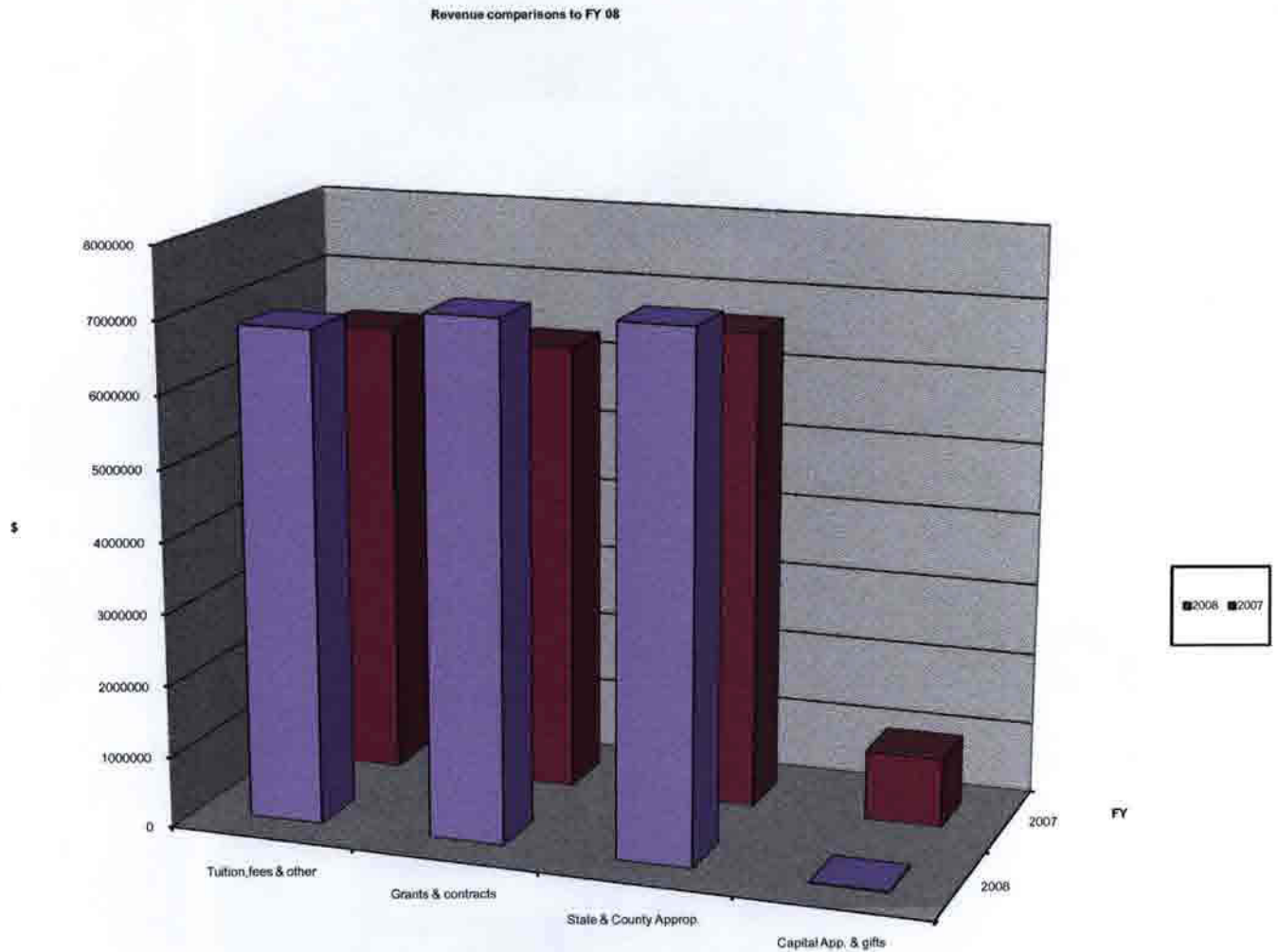
The following graph illustrates the change from the prior year for Assets, Liabilities and Net Assets. Current assets increased while Non Current Assets decreased. Non-Current Liabilities decreased and Current Liabilities increased. Net Assets increased.

Comparison of Assets, Liabilities and Net Assets



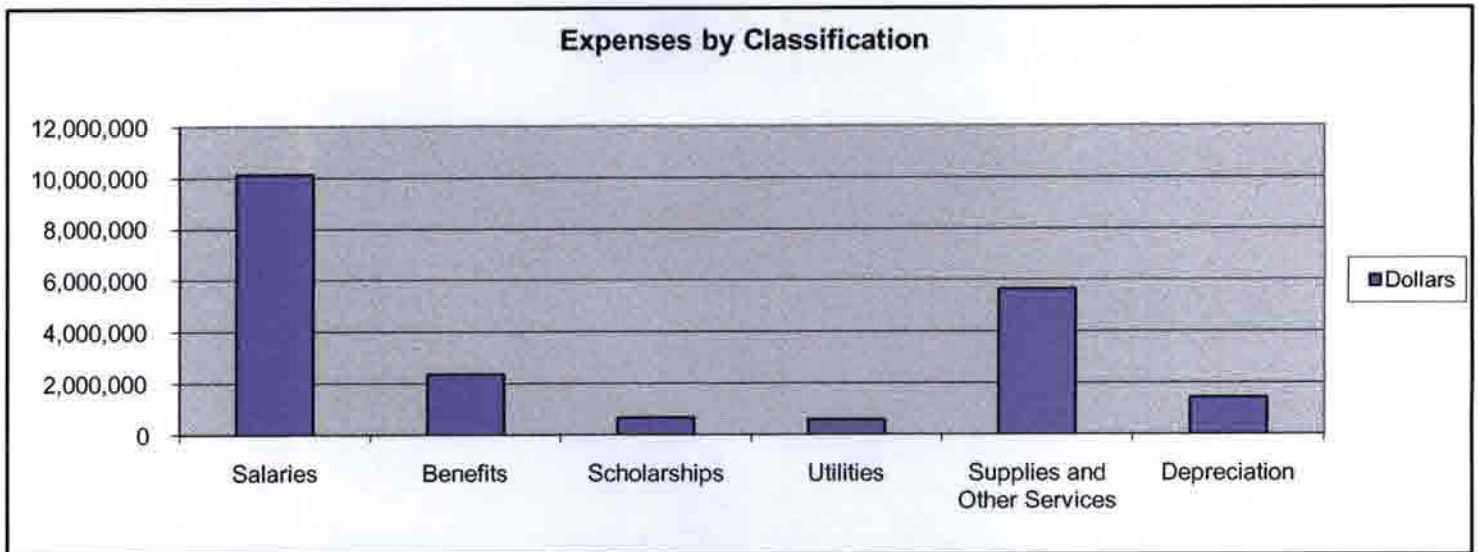
Revenue Comparisons

The chart below reflects increased Tuition, Fees, & Other, Grants & Contracts revenues and combined State & County appropriations. Capital Appropriations increased but remained stable at a low level, reflecting a quiet period in building construction.

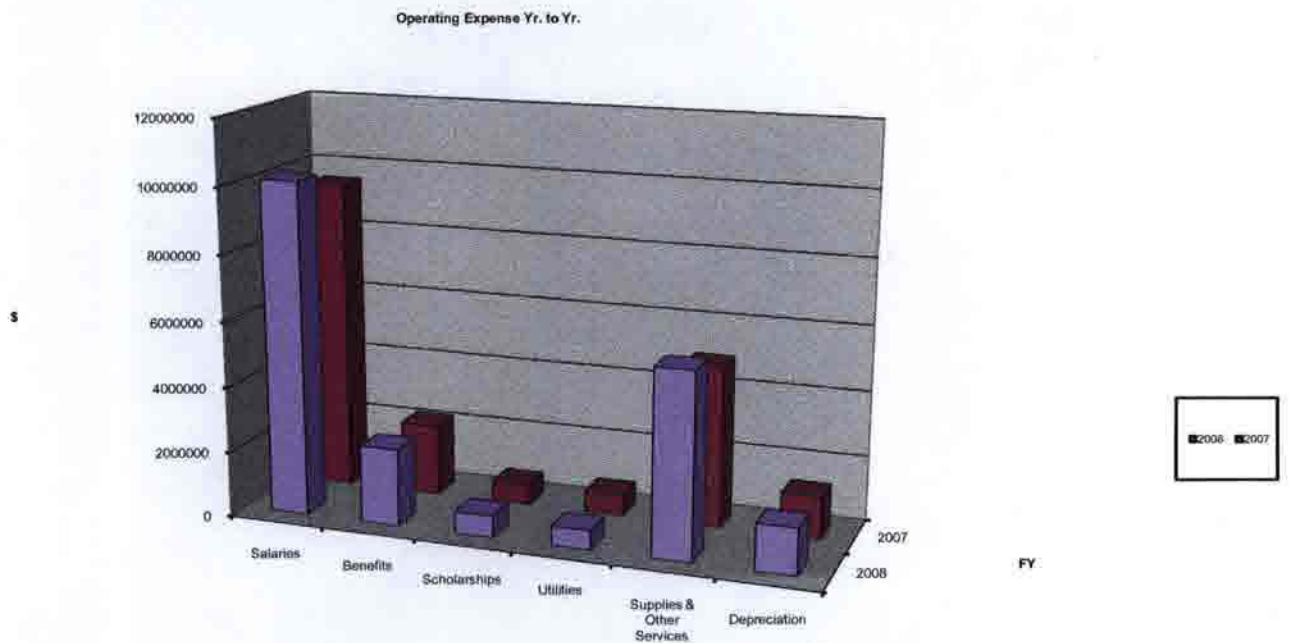


Expenditure charts

Expenditures for the College are mainly for Salaries and Supplies and Other Services as noted in the chart below:

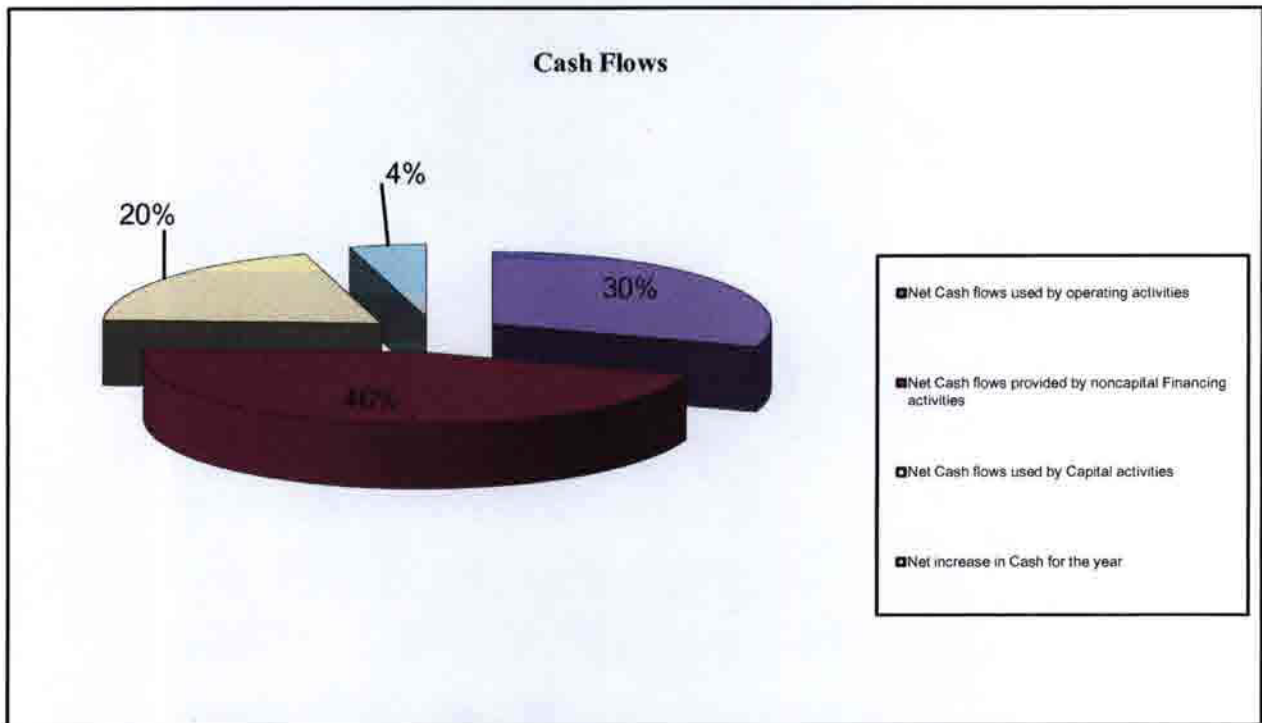


Operating expenses in total increased in comparison with FY 2007. Salaries and Fringe Benefits increased by 6.54 %, while Supplies & other services increased by 14.16 %. (See Financial Analysis text.)



Cash Flows Chart

Cash and cash equivalents decreased by \$733,496.



The College continued to maintain current status on all its mortgage liabilities with a planned surplus in amounts reserved for debt repayment.

Economic Factors

By the end of the fiscal year South Carolina (SC) personal income growth slowed to a projected 4.80%, while the SC unemployment rate stabilized at a forecasted 6.10%ⁱ. Other state priorities limited the College's increased share of state revenues for its current operations to \$454,138 or 8.81%, from a comparatively low base. The SC economy failed to add net new jobs since the summer of 2007ⁱⁱ, resulting in increased enrollment of local residents motivated to further their education.

Summary

The College progressed towards previously established goals of empowering students, transforming resources into desired outcomes, and aligning College and business resources by controlling costs and preparing the College to finance new programs, physical facilities and renovations of older facilities. These accomplishments, represented in the financial statements by early retirement of building debt, completed renovation of the Ashley J. Little Building, and expanded Instructional and Academic Support expenditures related to non-capital equipment, aided the College in achieving the goals noted above. In addition, increased non-state resources resulted from community support through the College Foundation, Aiken County plant maintenance support, and tuition. The College's ability to maintain Cash, Investments and other current assets in excess of Total Liabilities by \$2,432,547 as seen in the Condensed Statement of Net Assets below, indicates the fiscal soundness of the College.

Condensed Statements of Net Assets

	For the Year Ended		Increase(Decrease)	
	30-Jun-08	30-Jun-07	\$	%
ASSETS				
Cash, Investments, and other assets	\$9,890,926	\$9,987,495	(\$96,569)	-0.97%
Capital Assets, net	25,967,321	25,825,349	141,972	0.55%
Total Assets	35,858,247	35,812,844	45,403	0.13%
LIABILITIES				
Accounts payable and other current liabilities	3,725,842	2,329,894	1,395,948	59.91%
Long-term liabilities	3,732,537	5,784,983	(2,052,446)	-35.48%
Total Liabilities	7,458,379	8,114,877	(656,498)	-8.09%
NET ASSETS				
Invested in Capital, net of related debt	22,291,462	19,804,635	2,486,827	12.56%
Restricted	463,475	829,065	(365,590)	-44.10%
Unrestricted	5,644,931	7,064,267	(1,419,336)	-20.09%
	\$28,399,868	\$27,697,967	\$701,901	2.53%

Condensed Statements of Revenue, Expenditures and Changes In Net Assets

	Year Ended	Year Ended	Increase (Decrease)	
	2008	2007	\$	%
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$4,097,935 and \$3,929,043)	5,408,329	4,983,404	424,925	8.53
Grants & Contracts	7,007,489	6,294,816	712,673	11.32
Other	1,452,748	1,394,431	58,317	4.18
Total Operating Revenues	13,868,566	12,672,651	1,195,915	9.44
Operating Expenses				
Salaries	10,133,881	9,515,092	618,789	6.50
Benefits	2,356,476	2,208,440	148,036	6.70
Scholarships & fellowships	673,936	643,243	30,693	4.77
Utilities	592,080	676,331	(84,251)	(12.46)
Supplies & other services	5,633,663	4,935,085	698,578	14.16
Depreciation	1,421,171	1,311,704	109,467	8.35
Total Operating Expenses	20,811,207	19,289,895	1,521,312	7.89
Operating Loss	(6,942,641)	(6,617,244)	(325,397)	4.92
Non operating Revenues				
State Appropriations	5,610,875	5,156,737	454,138	8.81
County Appropriations	1,627,300	1,506,285	121,015	8.03
Other nonoperating revenues & expenses	84,782	113,776	(28,994)	(25.48)
Total nonoperating revenues	7,322,957	6,776,798	546,159	8.06
Income before other revenues (expenses)	380,316	159,554	220,762	138.36
Capital Appropriations, grants & gifts	321,585	942,967	(621,382)	(65.90)
Increase in net assets	701,901	1,102,521	(400,620)	(36.34)
Net Assets:				
Net Assets, beginning of year	27,697,967	26,595,446	1,102,521	4.15
Net Assets, end of year	\$28,399,868	\$27,697,967	\$701,901	2.53

¹ Paulo Guimarães, Economic Outlook Division of Research, Moore School of Business University of South Carolina, June 2008, pg.2

² Moore School Web Site | Division of Research | Publications of the Institute of Applied Research B&E Review, Volume 54, Number 4- Paulo Guimarães, Quarterly Outlook, para. 10.

AIKEN TECHNICAL COLLEGE
STATEMENT OF NET ASSETS
June 30, 2008

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,907,714
Receivables, net	4,624,321
Inventories	304,483
Prepaid expenses	<u>54,408</u>
Total current assets	<u>9,890,926</u>

NONCURRENT ASSETS

Restricted short-term investments	17,731
Capital assets, net of accumulated depreciation	<u>25,949,590</u>
Total noncurrent assets	<u>25,967,321</u>
Total assets	<u>35,858,247</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	144,346
Accrued payroll liabilities	84,895
Deferred revenue	2,960,913
Bonds payable - current portion	474,345
Accrued compensated absences - current portion	<u>61,343</u>
Total current liabilities	<u>3,725,842</u>

NONCURRENT LIABILITIES

Bonds payable	3,183,783
Accrued compensated absences	543,020
Restricted liabilities - funds held for others	<u>5,734</u>
Total noncurrent liabilities	<u>3,732,537</u>
Total liabilities	<u>7,458,379</u>

NET ASSETS

Invested in capital assets, net of related debt	22,291,462
Expendable:	
Restricted for debt service	421,055
Restricted for loan fund	42,420
Unrestricted	<u>5,644,931</u>
Total net assets	<u>\$ 28,399,868</u>

The accompanying notes are an integral part of this financial statement.

AIKEN TECHNICAL COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

REVENUES

Operating Revenues

Student tuition and fees (net of scholarship allowances of \$3,949,773)	\$ 5,160,484
Student tuition and fees pledged for revenue bonds (net of scholarship allowances of \$148,162)	247,845
Federal grants & contracts	3,773,374
State grants & contracts	2,856,452
Local grants & contracts	377,663
Sales and services of educational departments	1,657
Auxiliary enterprises (net of scholarship allowances of \$450,067)	1,089,578
Other operating revenues	<u>361,513</u>
Total operating revenues	<u>13,868,566</u>

EXPENSES

Operating Expenses

Salaries	10,133,881
Benefits	2,356,476
Scholarships and fellowships	673,936
Utilities	592,080
Supplies and other services	5,633,663
Depreciation	<u>1,421,171</u>
Total operating expenses	<u>20,811,207</u>
Operating loss	<u>(6,942,641)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	5,610,875
County appropriations	1,627,300
Interest income	357,384
Interest expense	(280,858)
State and local grants and contracts	<u>8,256</u>
Net nonoperating revenues	<u>7,322,957</u>
Income before State capital appropriations	380,316
State capital appropriations	<u>321,585</u>
Increase in net assets	701,901

NET ASSETS, BEGINNING OF YEAR

27,697,967

NET ASSETS, END OF YEAR

\$ 28,399,868

The accompanying notes are an integral part of this financial statement.

**AIKEN TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008**

CASH FLOWS FROM OPERATING ACTIVITIES

Student tuition and fees (net of scholarship allowances)	\$ 5,493,013
Federal, state and local grants and contracts	7,020,273
Sales and services of educational departments	1,657
Auxiliary enterprise charges (net of scholarship allowances)	1,128,984
Other receipts	623,009
Payments to employees	(6,997,897)
Payments to vendors	<u>(12,452,860)</u>
Net cash used in operating activities	<u>(5,183,821)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	5,610,875
County appropriations	1,552,300
Federal, State and local grants and contracts, non-operating	8,256
Expended for agency funds	137
Interest on cash and cash equivalents	<u>373,738</u>
Net cash provided by noncapital financing activities	<u>7,545,306</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State capital appropriations	1,093,876
Purchase of capital assets	(1,562,448)
Principal paid on capital debt	(2,345,551)
Interest paid on capital debt	<u>(280,858)</u>
Net cash used in capital and related financing activities	<u>(3,094,981)</u>

Net increase in cash and cash equivalents	(733,496)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,641,210</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 4,907,714</u></u>
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(Continued)

**AIKEN TECHNICAL COLLEGE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008**

(Continued)

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (6,942,641)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	1,421,171
Change in assets and liabilities:	
Receivables, net	(1,403,263)
Inventories	37,299
Prepaid expenses	14,691
Accounts payable and accrued payroll liabilities	(124,254)
Accrued compensated absences	48,841
Deferred revenue	<u>1,764,335</u>
Net cash used in operating activities	<u><u>\$ (5,183,821)</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest:	<u><u>\$ 280,858</u></u>
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The accompanying notes are an integral part of this financial statement.

**AIKEN TECHNICAL COLLEGE
COMPONENT UNIT
AIKEN TECHNICAL COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2008**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 65,949
Unconditional promises to give	114,895
Prepaid expenses and other current assets	<u>4,824</u>
Total current assets	<u>185,668</u>

OTHER ASSETS

Investments	4,132,711
Unconditional promises to give, net	<u>3,208</u>
	<u>4,135,919</u>
	<u><u>\$ 4,321,587</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	<u>\$ 85,596</u>
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NET ASSETS

Unrestricted	1,144,377
Temporarily restricted	2,050,691
Permanently restricted	<u>1,040,923</u>
	<u>4,235,991</u>
	<u><u>\$ 4,321,587</u></u>

The accompanying notes are an integral part of this financial statement.

**AIKEN TECHNICAL COLLEGE
COMPONENT UNIT
AIKEN TECHNICAL COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUE, SUPPORT AND RECLASSIFICATIONS				
Contributions	\$ 84,546	\$ 416,241	\$ -	\$ 500,787
Investment Income	105,749	27,021	-	132,770
Net Investment Gains and Other Income	(303,720)	(79,042)	-	(382,762)
Net Assets Released from Restrictions	306,393	(306,393)	-	-
Total Revenue, Support and Reclassifications	<u>192,968</u>	<u>57,827</u>	<u>-</u>	<u>250,795</u>
PROGRAM EXPENSES				
Scholarships	82,883	-	-	82,883
Equipment and Building Support	25,218	-	-	25,218
Faculty Salary Support	186,913	-	-	186,913
Other Programs	10,646	-	-	10,646
Total Program Expenses	<u>305,660</u>	<u>-</u>	<u>-</u>	<u>305,660</u>
SUPPORTING SERVICES				
Fundraising	46,911	-	-	46,911
Management and General	108,551	-	-	108,551
Total Supporting Services	<u>155,462</u>	<u>-</u>	<u>-</u>	<u>155,462</u>
Total Expenses	<u>461,122</u>	<u>-</u>	<u>-</u>	<u>461,122</u>
Increase (Decrease) in Net Assets from Operations	<u>(268,154)</u>	<u>57,827</u>	<u>-</u>	<u>(210,327)</u>
NON-OPERATING ACTIVITIES				
Annuity Funds Released	30,442	-	(30,442)	-
Change in Donor Designation	12,211	-	(12,211)	-
Increase (Decrease) in Net Assets from Non-Operating Activities	<u>42,653</u>	<u>-</u>	<u>(42,653)</u>	<u>-</u>
Increase (Decrease) in Net Assets	<u>(225,501)</u>	<u>57,827</u>	<u>(42,653)</u>	<u>(210,327)</u>
NET ASSETS, BEGINNING OF YEAR	<u>1,369,878</u>	<u>1,992,864</u>	<u>1,083,576</u>	<u>4,446,318</u>
NET ASSETS, END OF YEAR	<u>\$ 1,144,377</u>	<u>\$ 2,050,691</u>	<u>\$ 1,040,923</u>	<u>\$ 4,235,991</u>

The accompanying notes are an integral part of this financial statement.

AIKEN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

Aiken Technical College (the "College"), a member institution of the South Carolina Technical College System, provides a range of educational programs to meet the needs of the adult population of Aiken County, South Carolina. Included in this range of programs are technical and occupational associate degrees, diploma and certificate curricula that are consistent with the needs of employers in the College's service area. As an integral part of this mission, the College provides a program of continuing education designed to satisfy the occupational demands of employers through retraining and upgrading the skills of individual employees. The College also provides a variety of developmental education programs, support services and offerings to assist students in meeting their personal and professional educational objectives.

B. Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board ("GASB"), consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete. Accordingly, the financial statements include the accounts of Aiken Technical College, as the primary government, and the accounts of Aiken Technical College Foundation, Inc. (the "Foundation"), its component unit. The College is part of the primary government of the State of South Carolina. However, based on the nature and significance of the Foundation's relationship with the State of South Carolina, the Foundation is not a component unit of the State of South Carolina.

The Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The 40-member board of the Foundation is elected by the Foundation's Board of Trustees and consists of the President of the College, one or more members of the Aiken County Commission for Technical Education, the Development Office of the College, and other graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests, are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Foundation is a private not-for-profit organization that reports its financial results under Financial Accounting Standards Board ("FASB") pronouncements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. However, significant note disclosures to the Foundation's financial statements have been incorporated into the College's notes to the financial statements.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

C. Financial Statements

The financial statements are presented in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation required by GASB Statements No. 34 and No. 35 provides a comprehensive, entity-wide perspective of the College's net assets, revenues, expenses and changes in net assets and cash flows that replaces the fund-group perspective previously required.

D. Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship expenses. All significant intra-institutional transactions have been eliminated.

The College has elected not to apply FASB pronouncements issued after November 30, 1989.

E. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Cash, Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, the College considers all certificates of deposit to be cash equivalents.

Deposits and investments for the College are governed by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds". During the year ended June 30, 2005, the College implemented GASB Statement No. 40, *Deposits and Investment Risk Disclosures – an amendment to GASB Statement No. 3*. This statement requires disclosures related to deposit risks, such as custodial credit risk, and investment risks, such as credit risk (including custodial credit risk and concentrations of credit risks) and interest rate risk. The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the fair value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

G. Receivables

Receivables consist of tuition and fee charges to students, gifts pledged and auxiliary enterprise services provided to students, faculty, and staff. Receivables also include amounts due from federal, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Receivables are reported net of estimated uncollectible amounts. The College maintains an allowance for uncollectible amounts, which is based upon actual losses experienced in prior years and evaluations of the current account portfolio.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

H. Inventories

Inventories for internal use are valued at cost. Inventories for resale are carried at the lower of cost or market on the first-in, first-out ("FIFO") basis.

I. Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation if received by gift. The College follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The College capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. A full year of depreciation is taken the year the asset is placed in service and no depreciation is taken in the year of disposition.

J. Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent year. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

K. Compensated Absences

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as a component of liabilities in the Statement of Net Assets and as a component of benefit expenses in the Statement of Revenues, Expenses, and Changes in Net Assets, respectively.

L. Net Assets

The College's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the College's total investment in capital assets, net of outstanding debt obligations, related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. Net assets restricted for debt service and for loan fund are restricted expendable net assets.

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. At June 30, 2008, the College did not report any restricted net assets – nonexpendable.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
Continued

L. Net Assets, (continued)

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The College's policy for applying expenses that can use both restricted and unrestricted resources is to first apply the expense to restricted resources and then to unrestricted resources.

M. Income Taxes

The College and Foundation are exempt from income taxes under the Internal Revenue Code.

N. Classification of Revenues

The College has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues: Operating revenues generally result from exchange transactions to provide goods or services related to the College's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the College; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the College would not otherwise undertake.

Non-operating revenue: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts, contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

O. Sales and Services of Educational Departments and Other Activities

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public.

P. Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues primarily represent revenues generated by bookstores and food services. Revenues of internal service and auxiliary enterprise activities and the related expenditures of College departments have been eliminated.

Q. Capitalized Interest

When material, the College capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with capital projects that will be capitalized in the applicable capital asset categories upon completion. The College incurred \$280,858 of total interest cost during the year ended June 30, 2008, none of which was capitalized as management believes that interest costs related to construction in progress is immaterial.

(Continued)

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.
Continued

R. Component Unit

The Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets: Permanently restricted net assets are subject to donor-imposed stipulations that require them to be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets: Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted undesignated net assets: Unrestricted undesignated net assets are not subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

Unrestricted designated net assets: Unrestricted designated net assets are not subject to donor-imposed restrictions but subject to Foundation Board imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized as revenue until the conditions on which they depend are substantially met. Contributions for in-kind gifts from outside sources are not recorded in the Foundation's financial records, but are accounted for and acknowledged separately.

Expenses are reported as decreases in unrestricted undesignated or unrestricted designated net assets as appropriate. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted undesignated or unrestricted designated net assets unless their use is restricted by explicit donor stipulation or by law.

Investments are reported at fair value based upon quoted market prices.

The Foundation's unconditional promises to give at June 30, 2008 were as follows:

Unconditional promises to give	\$ 118,601
Less unamortized discount	<u>(498)</u>
Net unconditional promises to give	<u>\$ 118,103</u>
Amounts due in:	
Less than one year	\$ 114,896
One to five years	<u>3,705</u>
	<u>\$ 118,601</u>

Unconditional promises to give are reflected at the present value of estimated future cash flows using a discount rate of 5.11%.

NOTE 2 – STATE APPROPRIATIONS

State funds for the South Carolina Technical College System are appropriated to the State Board for Technical and Comprehensive Education (the Board), and the Board allocates funds budgeted for the technical colleges in a uniform and equitable manner. Appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the Board receives authorization from the General Assembly to carry the funds over to the next year.

The following is a reconciliation of the State appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2008:

Non-capital Appropriations

Current year's appropriations:

Original appropriations per Annual Appropriations Act	\$ 5,610,875
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Total non-capital appropriations recorded as current year revenue	<u>\$ 5,610,875</u>
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Capital Appropriations

Current year's appropriations:

Research University Infrastructure Bond	\$ 150,909
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Lottery Equipment & State Technology Fund	<u>170,676</u>
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Total capital appropriations recorded as current year revenue	<u>\$ 321,585</u>
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NOTE 3 - DEPOSITS AND INVESTMENTS

DEPOSITS

State Law requires that a bank or savings and loan association receiving State funds must secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the College will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The College's deposits are categorized to give an indication of the level of risk assumed by the College at year-end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover its deposits if the depository financial institution fails to recover the value of collateral securities that are in the possession of an outside party if the counterparty to the deposit transaction fails.

The deposits for the College at June 30, 2008, were \$4,921,695. Of these, none were exposed to custodial credit risk as uninsured and uncollateralized. The College recognized no loss due to default by counterparties to investment transactions and amounts recovered from prior period losses.

The deposits for the Foundation at June 30, 2008, were \$65,949. The Foundation is not bound by State law requiring collateralization of deposits; however, the Federal Deposit Insurance Corporation insured the deposit amount.

Foreign Currency Risk

Foreign currency is the risk that changes in exchange rates will adversely affect the fair value of an investment. Neither the College nor the Foundation maintains deposits that are denominated in a currency other than the United States dollar; therefore, neither the College nor the Foundation is exposed to this risk.

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS, Continued**INVESTMENTS**

The College is authorized, by the South Carolina Code of Laws, Section 11-9-660, "Investment of Funds", to invest in obligations of the United States and its agencies, obligations of the State of South Carolina and its political subdivisions, collateralized or federally insured certificates of deposit, and collateralized repurchase agreements.

The following schedule reconciles Cash and Cash Equivalents and restricted short-term deposits as reported on the Statement of Net Assets.

Statement of Net Assets:

Cash and cash equivalents	\$ 4,907,714
Restricted short-term investments	<u>17,731</u>
Total Statement of Net Assets	<u>\$ 4,925,445</u>

Deposits and Investments Note:

Carrying value of deposits	\$ 4,921,695
Cash on hand	<u>3,750</u>
Total Deposits and Investment Note	<u>\$ 4,925,445</u>

ATC Foundation, Inc. is not bound by the State investment restrictions applying to the College, thereby allowing investments in both equities and fixed income securities as listed below:

Aiken Technical College Foundation, Inc.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More than 10</u>
<u>Debt Securities</u>					
Money Market Mutual Funds	\$ 283,034	\$ 283,034	\$ -	\$ -	\$ -
Bond Mutual Funds	<u>1,445,835</u>	<u>112,265</u>	<u>506,519</u>	<u>757,871</u>	<u>69,180</u>
Total Debt Securities	1,728,869	395,299	506,519	757,851	69,180
<u>Other Securities</u>					
Mutual Funds – Equities	<u>2,403,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 4,132,711</u>	<u>\$ 395,299</u>	<u>\$ 506,519</u>	<u>\$ 757,871</u>	<u>\$ 69,180</u>

The Foundations investment advisor invests in the following rated debt investments:

Aiken Technical College Foundation, Inc. Rated Debt Investments

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>				
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>A1</u>	<u>Unrated</u>
Bond Mutual Funds	\$ 1,445,835	\$ 425,250	\$ 1,020,585	\$ -	\$ -	\$ -
Money Market Mutual Funds	<u>283,034</u>	<u>283,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fair Value	<u>\$ 1,728,869</u>	<u>\$ 708,284</u>	<u>\$ 1,020,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(Continued)

NOTE 3 - DEPOSITS AND INVESTMENTS, Continued

INVESTMENTS, Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. It occurs because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. The Foundation has no policy on interest rate risk.

For the year ended June 30, 2008, the following tables show the investments by the weighted average method. The shorter the maturities, the lower the interest rate risk, with correspondingly less yield.

Aiken Technical College Foundation, Inc. Rated Debt Investments

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Bond Fund - Domestic	\$ 1,020,585	5.32
Bond Fund - International	218,178	6.04
Bond Fund - iShares Treasury	207,072	9.16
Money Market Mutual Funds	283,034	0.13
Total Fair Value	<u>\$ 1,728,869</u>	

NOTE 4 - RECEIVABLES

Receivables at June 30, 2008, including applicable allowances for uncollectibles, were as follows:

Receivables:	
Student Accounts	\$ 2,606,015
Other Accounts	757,614
Accrued Interest	62,250
Due from Federal and Other Grantors	<u>1,283,442</u>
Total Receivables	4,709,321
Less allowance for uncollectibles:	
Student Accounts	<u>(85,000)</u>
Receivables, net	<u>\$ 4,624,321</u>

The College recognized a receivable from the Foundation of \$85,596 at June 30, 2008.

NOTE 5 - CAPITAL ASSETS

	Beginning Balance July 1, 2007	Increases	Decreases	Ending Balance June 30, 2008
Capital assets not being depreciated				
Land and improvements	\$ 926,922	\$ -	\$ -	\$ 926,922
Construction in progress	829,818	1,252,141	(2,041,653)	40,306
Total	1,756,740	1,252,141	(2,041,653)	967,228
Other capital assets:				
Buildings and improvements	31,315,358	2,041,653	-	33,357,011
Machinery, equipment, and other	3,225,280	310,306	(96,615)	3,438,971
Intangible assets	461,809	-	-	461,809
Vehicles	125,506	-	-	125,506
Depreciable land improvements	1,453,858	-	-	1,453,858
Total	36,581,811	2,351,959	(96,615)	38,837,155
Less accumulated depreciation for:				
Buildings and improvements	8,866,894	1,009,829	-	9,876,723
Machinery, equipment, and other	2,650,646	326,812	(96,615)	2,880,843
Intangible assets	461,809	-	-	461,809
Vehicles	101,857	7,301	-	109,158
Depreciable land improvements	449,031	77,229	-	526,260
Total	12,530,237	1,421,171	(96,615)	13,854,793
Other capital assets, net	24,051,574	930,788	-	24,982,362
Capital Assets, Net	\$ 25,808,314	\$ 2,182,929	\$ (2,041,653)	\$ 25,949,590

A lien has been recorded as to purpose and use restrictions for a manufacturing and technology building in connection with a \$1,500,000 Economic Development Authority ("EDA") construction grant. EDA permission and refunding of a portion of the grant is necessary for any change in use or purpose as well as for any sale, lease, conveyance, or other transfer.

NOTE 6 - PENSION PLAN

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to Financial Services, South Carolina Retirement Systems, P.O. Box 11960, Columbia, South Carolina 29211. Furthermore, the Retirement System and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension

(Continued)

NOTE 6 - PENSION PLAN, Continued

plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

South Carolina Retirement System

The majority of employees of the College are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally, all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

From July 1, 1988 to June 30, 2005 employees participating in the SCRS were required to contribute 6.0 percent of all compensation. On July 1, 2005, the required employee contribution increased to 6.25 percent. On July 1, 2006, the required employee contribution increased to 6.50 percent. Effective July 1, 2007, the employer contribution rate became 12.48 percent which included a 3.42 percent surcharge to fund retiree health and dental insurance coverage. The College's actual contributions to the SCRS for the three most recent fiscal years ending June 30, 2008, 2007, and 2006, were \$593,478, \$522,707, and \$499,236, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for fiscal year 2006, 8.05 percent (excluding the surcharge) for fiscal year 2007 and 9.06 percent (excluding the surcharge) for fiscal year 2008. Also, the College paid employer group-life insurance contributions of \$9,826 in the current fiscal year at the rate of 0.15 percent of compensation.

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2007, the employer contribution rate became 13.72 percent which, as for the SCRS, included the 3.42 percent surcharge. The College's actual contributions to the PORS for the years ending June 30, 2008, 2007, and 2006, were \$0, \$4,743, and \$6,952, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. During 2007, the College replaced its internal security force with private contractors. Consequently, the College was not required to contribute to the PORS in 2008.

Optional Retirement Program

The State Optional Retirement Program (State ORP) was first established as the Optional Retirement Program for Higher Education in 1987. In its current form, the State ORP is an alternative to the defined benefit SCRS plan offered to certain state, public school and higher education employees of the State. The State ORP, which is administered by the South Carolina Retirement Systems, is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts issued by them.

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NOTE 6 - PENSION PLAN, Continued

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 9.06 percent plus the retiree surcharge of 3.42 percent from the employer in fiscal year 2008. Employees are eligible for group-life insurance benefits while participating in the State ORP. However, employees who participate in the State ORP are not eligible for postretirement group-life insurance benefits. For the years ended 2008, 2007, and 2006, total contribution requirements to the ORP were \$42,762, \$31,461, and \$23,461, respectively (excluding the surcharge) from the College as employer and \$151,930, \$99,318, and \$69,464, respectively from its employees as plan members. In addition, the College paid to the SCRS employer group-life insurance contributions of \$2,515 in the current fiscal year at the rate of 0.15 percent of compensation.

Deferred Compensation Plans

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the College have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Teacher and Employee Retention Incentive

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit and are ineligible to receive group life insurance benefits or disability retirement benefits. Effective July 1, 2005, employees who choose to participate in the TERI Program will be required to make SCRS contributions. Due to the South Carolina Supreme Court decision in *Layman et al v. South Carolina Retirement System and the State of South Carolina*, employees who chose to participate in the TERI Program, prior to July 1, 2005 will not be required to make SCRS contributions.

Effective July 1, 2005, retired SCRS or PORS members, including TERI participants working for a covered employee, pay the active employee contribution. The SCRS employee contribution increased by 0.25% effective July 1, 2006 and the SCRS employer contribution increased by 1.01% effective July 1, 2007. Effective July 1, 2008, the surcharge to fund retiree health and dental insurance coverage increased by 0.26%.

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the College are eligible to receive these benefits. The State provides post employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the College for its

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NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS, Continued

active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the College for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis.

The College recorded benefit expenses for these insurance benefits for active employees in the amount of \$565,607 for the year ended June 30, 2008. As discussed in Note 6, the College paid \$275,620 applicable to the 3.42 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to the College's retirees is not available. By State law, the College has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 8 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

In the opinion of the College's management, there are no material claims or lawsuits against the College that are not covered by insurance or whose settlement would materially affect the College's financial position.

The College participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

Necessary funding has been obtained for the acquisition, construction, renovation and equipping of certain facilities, which will be capitalized in the applicable capital asset categories upon completion. At June 30, 2008, the College had remaining commitment balances of approximately \$555,000 with certain property owners, engineering firms, construction contractors and vendors related to these projects.

The College anticipates funding these projects with current resources, current and future bond issues, private gifts, student fees, and State capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of State facilities. The College is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The College has \$39,866 of authorized State capital improvement bond proceeds available to draw at June 30, 2008.

NOTE 9 - LEASE OBLIGATIONS

The College's non-cancelable operating lease for copiers and mail machines provides for an annual renewal option at fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for copier and mailing equipment totaled \$87,193 for fiscal year 2008. The College will continue to lease equipment in the future at these approximate amounts.

NOTE 10 - BONDS PAYABLE

Bonds payable consisted of the following at June 30, 2008:

Revenue Bonds

Special Fee Capital Improvement and Refunding Bonds, Series 2001, issued December 20, 2001 due in semi-annual installments (June 15, December 15) of \$135,959 through December 15, 2016 at 5.25% per annum simple interest.

\$ 1,858,128

Special Fee Capital Improvement and Refunding Bonds, Series 2003, issued March 17, 2003. Principal payments began June 15, 2008 with annual payments of \$200,000 the first year and \$300,000 the following years through June 15, 2014. Interest payments are due semi-annually (June 15, December 15) at 4.00% per annum simple interest. After the close of the fiscal year, the College requested re-financing proposals for this bond series.

1,800,000

Total Bonds Payable

\$ 3,658,128

The scheduled maturities of the bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Payments</u>
Revenue Bonds			
2009	\$ 474,345	\$ 169,573	\$ 643,918
2010	483,497	148,421	631,918
2011	493,131	126,787	619,918
2012	503,271	104,647	607,918
2013	513,942	81,976	595,918
Thereafter:			
2014-2018	1,189,942	125,530	1,315,472
Total	<u>\$ 3,658,128</u>	<u>\$ 756,934</u>	<u>\$ 4,415,062</u>

The Commission imposes, maintains, and collects the Special Fee upon all students in attendance at the College such that the Special Fee will produce sufficient revenues during each fiscal year to pay the principal and interest due on the Bonds.

NOTE 11 - NONCURRENT LIABILITIES

Long-term liability, excluding funds held for others, activity for the year ended June 30, 2008 was as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>Due Within One Year</u>
Bonds Payable	\$ 6,003,679	\$ -	\$ (2,345,551)	\$ 3,658,128	\$ 474,345
Accrued Compensated Absences	555,522	48,841	-	604,363	61,343
Total Long-Term Liabilities	<u>\$ 6,559,201</u>	<u>\$ 48,841</u>	<u>\$ (2,345,551)</u>	<u>\$ 4,262,491</u>	<u>\$ 535,688</u>

Additional information regarding Bonds Payable is included in Note 10.

NOTE 12 - RELATED ORGANIZATIONS, RELATED PARTY TRANSACTIONS, AND TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Aiken Technical College Foundation, Inc. (the "Foundation"), is a separately chartered corporation organized exclusively to receive and manage private funds for the exclusive benefit and support of the College. The Foundation's activities are governed by its Board of Directors. The financial statements of the Foundation are audited by the Foundation's independent auditors. The activities and financial position of the Foundation are not combined with the College's financial statements. However, the College's statements include transactions between the College and the Foundation. The complete financial statements for the Foundation can be obtained by mailing a request to Mary Commons, Aiken Technical College Foundation, Inc., P. O. Drawer 696, Aiken, SC 29802-0696, by calling (803) 593-9231, ext. 1332, or by e-mailing a request to commons@atc.edu.

Management reviewed its relationship with the Foundation under the existing guidance of GASB Statement No. 14, as amended by GASB Statement No. 39. Because of the nature and significance of its relationship with the College, the Foundation is considered a component unit of the College.

Following is a summary of significant transactions between the Foundation and the College for the year ended June 30, 2008.

The College recorded non-governmental gift receipts of \$283,857 from the Foundation in non-operating revenues for the fiscal year ending June 30, 2008. These funds were used to support College programs such as scholarships, Allied Health salaries, and educational equipment. The Foundation reimburses the College for any purchases made by the College on behalf of the Foundation. The College provides office space and administrative services to the Foundation. The College invoiced the Foundation a total of \$62,345 for reimbursement for administrative services provided to the Foundation during the year. The College was due \$85,596 from the Foundation as of June 30, 2008. No payables were due to the Foundation from the College as of June 30, 2008. The Foundation's assets as of June 30, 2008 were \$4,321,587, with net assets of \$4,235,991.

NOTE 13 - RISK MANAGEMENT

The College is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

(Continued)

NOTE 13 - RISK MANAGEMENT, Continued

The College and other entities pay premiums to the State's Insurance Reserve Fund (IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

Theft, damage to, or destruction of assets	Torts
Real property, its contents, and other equipment	Natural disasters
Motor vehicles and watercraft	Medical malpractice claims against the Infirmary

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The College also has employee fidelity bond insurance for all employees for losses arising from theft or misappropriation.

NOTE 14 - STATEMENT OF ACTIVITIES FORMAT

The following information is required by the Office of the Comptroller General for the State of South Carolina's comprehensive annual financial report:

	<u>2008</u>	<u>2007</u>	<u>Increase / (Decrease)</u>
Charges for services	\$ 13,507,053	\$ 12,344,093	\$ 1,162,960
Operating grants and contributions	2,354,453	2,250,546	103,907
Less: expenses	<u>(21,092,065)</u>	<u>(19,591,822)</u>	<u>(1,500,243)</u>
Net program expense	<u>(5,230,559)</u>	<u>(4,997,183)</u>	<u>(233,376)</u>
Transfers			
State appropriations	5,610,875	5,156,737	454,138
State capital appropriations	<u>321,585</u>	<u>942,967</u>	<u>(621,382)</u>
Total transfers	<u>5,932,460</u>	<u>6,099,704</u>	<u>(167,244)</u>
Change in net assets	701,901	1,102,521	(400,620)
Net assets, beginning of year	<u>27,697,967</u>	<u>26,595,446</u>	<u>1,102,521</u>
Net assets, end of year	<u>\$ 28,399,868</u>	<u>\$ 27,697,967</u>	<u>\$ 701,901</u>

NOTE 15 – OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2008 are summarized as follows:

	<u>Salaries</u>	<u>Benefits</u>	<u>Scholarships and Fellowships</u>	<u>Utilities</u>	<u>Supplies and Other Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 6,080,660	\$ 1,375,488	\$ -	\$ -	\$ 1,408,275	\$ -	\$ 8,864,423
Academic Support	859,444	209,039	-	-	322,742	-	1,391,225
Student Services	1,165,385	286,056	-	-	871,423	-	2,322,864
Operation and Maintenance of Plant	376,171	78,751	-	592,080	1,217,773	-	2,264,775
Institutional Support	1,539,132	383,611	-	-	475,394	-	2,398,137
Scholarships	-	-	673,936	-	-	-	673,936
Auxiliary Enterprises	113,089	23,531	-	-	1,338,056	-	1,474,676
Depreciation	-	-	-	-	-	1,421,171	1,421,171
Total Operating Expenses	<u>\$ 10,133,881</u>	<u>\$ 2,356,476</u>	<u>\$ 673,936</u>	<u>\$ 592,080</u>	<u>\$ 5,633,663</u>	<u>\$ 1,421,171</u>	<u>\$ 20,811,207</u>